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United States Virgin Islands

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Contents

		Paragraphs	Page
I.	Background information	1–3	3
II.	Constitutional, legal and political aspects	4–13	3
	A. General	4–10	3
	B. Recent elections and political issues	11–13	5
III.	Budget	14–22	6
IV.	Economy	23–37	8
	A. General	23–28	8
	B. Economic sectors	29–37	9
	1. Agriculture and fisheries	29	9
	2. Manufacturing and industry	30–32	9
	3. Construction	33	10
	4. Tourism	34–37	10
	C. Finance	38	11
	D. Transportation and communications	39–41	11
	E. Utilities, water and sanitation	42–43	12
V.	Military issues	44	12

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VI.	Social conditions	45–59	12
	A. Labour	45	12
	B. Education	46–50	13
	C. Public health	51–55	14
	D. Human rights and related issues	56	15
	E. Crime and crime prevention	57–59	15
VII.	Environment	60–63	16
	A. Protection of natural resources	60–62	16
	B. Disaster preparedness	63	16
VIII.	Future status of the Territory	64–68	17
	A. Position of the territorial Government	65	17
	B. Position of the administering Power	66–67	17
	C. Action by the General Assembly	68	17

I. Background information

1. The Territory of the United States Virgin Islands[1] is located in the eastern part of the Caribbean Sea, approximately 1,000 miles south-east of Miami and 45 miles east of Puerto Rico. The Territory is made up of three main islands (St. Croix, St. John and St. Thomas) and one small island (Water Island), transferred in 1996 by the United States Department of the Interior to the jurisdiction of the territorial Government. The capital, Charlotte Amalie, is located on St. Thomas.

2. The islands were Danish territory from 1754 to 1917, when they were purchased for $25 million by the United States of America. The Office of Insular Affairs carries out the Secretary of the Interior's responsibilities for the Territory and other insular areas. The Office's Strategic Plan for the period 2000-2005 is based on two goals: assisting the Islands in developing more effective government by providing financial and technical assistance, and helping to manage federal-island relations by promoting appropriate federal policies.[2]

3. According to the Office of Insular Affairs, the population of the Virgin Islands in 2004 stood at 108,775, with 4,252 people living in St. John and the rest almost equally divided between St. Thomas and St. Croix. After a period of 7 per cent growth between 1990 and 2000, the population has remained nearly unchanged since 2000. About 50 per cent of the population is younger than 35 years of age. According to the Central Intelligence Agency *World Factbook*, the composition of the Virgin Islands population is 78 per cent black, 10 per cent white and 12 per cent other. Eighty-one per cent of the population is West Indian, while 13 per cent were born in the United States mainland.[3]

II. Constitutional, legal and political aspects

A. General

4. The United States Virgin Islands constitute an organized, unincorporated Territory of the United States. With the adoption by the administering Power of the Organic Act of the Virgin Islands (1936) and its revision in 1954, the Territory was granted a measure of self-government over local affairs. Executive power is vested in a Governor, who has been elected on the same ticket as the Lieutenant-Governor since 1970 by popular vote for a four-year term. The Governor is limited to two consecutive terms, but can be elected again after one full term out of office. The Governor appoints, with the advice and consent of the Legislature, the heads of the executive departments and has the power to approve or veto legislation and issue executive orders.

5. Since the Organic Act of the Virgin Islands was revised by the administering Power in 1954, there have been four attempts to replace it with a locally written constitution approved by the people of the Territory, which would organize the internal mechanisms of Government. Although the United States Congress authorized the adoption of a local constitution in 1976, none of the four attempts have been successful. Regarding the Territory's political status, the first and only referendum on a range of political options was conducted in 1993. However, only 27 per cent of the electorate voted and, of those, 80.3 per cent voted to retain the current status. The result was considered invalid since less than 50 per cent of the

electorate had voted. In January 2003, the Governor announced during his State of the Territory address that he would advocate convening a Fifth Constitutional Convention to draft a constitution that would "allow for more effective government and a structure that is responsive to the needs of all residents and enhances and empowers local autonomy for the islands of St. Croix, St. John and St. Thomas through municipal government".[4] After two failed legislative attempts to establish a constitutional convention in 2000 and 2001, the Governor, in October 2004, signed into law the Fifth Constitutional Convention. The Convention will be funded with $100,000 from the Territory's budget and will be formed by 30 delegates to be chosen in a special election in February 2006. As the law points out, the Convention has to forward its draft by 27 July 2006 to the Governor, who will submit it to the United States President. Upon its approval by the United States Congress, a referendum to ratify the document could be held during the next election in November 2006.[5]

6. In its policy agenda for the 26th Legislature, the so-called Consensus Majority, which holds 8 of the 15 seats in the Territory's legislative chamber, declared that it intended to "adopt the Revised Organic Act of 1954 as [their] Constitution and, upon the approval of the Congress of the United States, move to the Fifth Constitutional Convention to address amendments to the Constitution".[6] In his 2005 State of the Territory address, Governor Turnbull supported this proposal, calling it perhaps the best mechanism to adopt their own constitution.[7] However, no bill on this issue has yet been introduced.

7. The judicial system has recently experienced a major change. Previously, the Virgin Islands was the only jurisdiction under the United States flag without its own appellate court to interpret its laws, although, as pointed out by the Governor, the United States Congress had authorized the creation of such a court more than 20 years ago through the Omnibus Territories Act.[8] In October 2004, the Governor signed into law a unanimously adopted bill of the Legislature which established the first Virgin Islands Supreme Court. The Court will be composed entirely of local judges, a chief justice and two associate justices, appointed by the Governor and confirmed by the Legislature. Its main responsibility is to attend to appeals originating from the Territorial Court, which, until recently, had been referred to the United States Federal District Court of the Virgin Islands. Supporters have noted that the Supreme Court is vital to helping the Territory grow in self-governance and have claimed that it will help prevent intrusion of federal jurisdiction into local matters. However, Superior Court Presiding Judge Maria Cabret recently pointed out that the $3.5 million operating cost of the Supreme Court during its first year was still not accounted for.[9] In order to guarantee a successful transition, the Third Circuit Court of Appeals will hear Virgin Islands Supreme Court appeals for the next 15 years.

8. Apart from the new Supreme Court, the judicial system includes two courts: the United States Federal District Court of the Virgin Islands, whose judges are appointed for a 10-year term by the President of the United States; and the Territorial Court of the Virgin Islands, whose nine judges are appointed by the Governor. The latter, which changed its official name to Superior Court of the Virgin Islands after the creation of the Virgin Islands Supreme Court, assumed full jurisdiction over all local civil matters in 1991 and all local criminal actions in 1994.

9. The Legislature, a unicameral body comprising 15 senators, is elected for a two-year term by a popular vote. The Legislature has the power to enact such laws as are consistent with federal laws made applicable to the Territory by the United States Congress and do not impair rights guaranteed by treaties, international agreements or rights contained in the Organic Act's Bill of Rights. The latter include rights of due process and equal protection, and freedom of speech, assembly and religion. The Legislature may also issue bonds, levy customs duties (up to 6 per cent) and oversee executive departments. Legislation is subject to approval by the Governor, whose veto can be overridden by two thirds of the Legislature. The United States Congress retains the right to annul any act of the local legislature. The United States Virgin Islands is represented in the House of Representatives of the United States Congress by a popularly elected delegate who may vote in the committees in which he or she is a member, but not in floor votes. There is no representation in the United States Senate, nor does the Territory have the constitutional right to participate in elections for the President of the United States. In that respect, similar to previous demands of the Governor, the Virgin Islands Delegate to the United States Congress, Donna Christian-Christensen, sponsored, together with her counterparts from American Samoa and Guam, a resolution in July 2004 proposing an amendment to the Constitution of the United States which would extend voting rights to those living in overseas Territories.[10]

10. In 2000, Island voters overwhelmingly supported a proposal to reduce the size of the Legislature from 15 members to 9 members. However, the measure was later defeated by 10 votes to 5 in the Territorial Senate.

B. Recent elections and political issues

11. In the last elections for the position of Governor, held in 2002, incumbent Charles W. Turnbull of the Democratic Party, in office since January 1999, was re-elected for his second and last four-year term, with 50 per cent of the vote. Another incumbent, Donna Christian-Christensen of the Democratic Party, was re-elected in 2004 to her fifth two-year term as the United States Virgin Islands Delegate to the United States Congress, with 66 per cent of the vote. The elections were interpreted as support for Ms. Christensen's controversial proposal to create a Chief Financial Officer position for the Virgin Islands (see para. 20). The next election for Governor, the Legislature and the Delegate to the United States Congress will be held in November 2006.

12. The last legislative elections were held on 2 November 2004, which resulted in the election of 15 senators, namely, 10 Democrats, 3 members of the Independent Citizens' Movement and 2 non-party affiliates. Although the results suggested a solid Democratic majority in the Legislature, three Democratic senators split with their party after the elections and, together with the Independent Citizens' Movement and the non-party affiliated senators, formed the Consensus Majority.[11]

13. In the annual State of the Territory address in January 2005, Governor Turnbull reiterated the goals of the previous year: increasing Government revenues while restricting Government spending and supporting the private sector. Stressing the accomplishment of significant gains in each of those critical areas, while pointing out the possible impact of new federal tax laws for the territorial budget, he called the State of the Territory one of challenge and hope. Additionally, the

Governor called for urgent and constant attention for St. Croix, which has experienced economic decline and high crime rates during recent years.[12]

III. Budget

14. The precarious fiscal condition of the Territory at the end of the 1990s and the measures taken at the federal and local levels to avoid bankruptcy have been described in detail in previous working papers (A/AC.109/2001/3, paras. 13-17 and A/AC.109/2002/4, paras. 13-17). Since 2000, the Territory's budget has been agreed on in the framework of the Office of Insular Affairs 2000-2005 Strategic Plan, which, inter alia, calls for all insular Governments to implement long-term plans to improve financial management by 2005. According to the Governor, his Administration has worked painstakingly to revitalize and strengthen the relationship with the federal Government by completing long overdue audits and bringing the local government into compliance with federal auditing standards for the first time. The newly placed confidence placed in the Virgin Islands by the federal agencies has reportedly led to an increase in federal grant funding by approximately 50 per cent since 1999, reaching $282 million in 2004, according to the United States Secretary of the Interior.[13]

15. In 2004, the Government of the Virgin Islands and the Department of the Interior started negotiations to reform the 1999 memorandum, which provides the Territory with federal assistance. In the first draft, Governor Turnbull asked for $88 million in federal financial assistance for the next five years. In exchange, the Territory would be committed to, inter alia, a balanced budget. The Office of Insular Affairs indicated that the provision of $88 million was unlikely and asked for further financial reforms, including reductions in overall spending levels. However, no decision has yet been taken on either side.[14]

16. Despite signs of a financial recovery since 1999 and a surplus of $35 million at the end of fiscal year 2001, the Territory's budget ran back into deficit in fiscal year 2003 ($4.6 million). The Bureau of Economic Research projected a deficit of $9.6 million at the end of fiscal year 2004. For fiscal year 2005 the deficit is currently projected to be $92.4 million. The Virgin Islands Bureau of Economic Research, therefore, speaks of the persistent nature of the deficit, which requires steps to address the structural imbalance between revenue and expenditure.[15]

17. Federally imposed tax cuts produced an estimated $57 million in revenue losses in 2003, which were partly offset by a $5 million payment from the United States Treasury Department. To address a projected deficit of $152 million in the spring of 2003, the Government embarked on numerous cost-cutting measures to reduce allotments to departments and agencies for a total reduction of $46 million. In July 2003, legislation was approved for the issuance of $235 million in new bonds.

18. In October 2004, President Bush signed into law the American Job Creation Act, requiring, inter alia, strict residence and source-income rules. However, the law could jeopardize the Virgin Islands Economic Development Commission tax incentive programme. According to media reports, about 100 businesses are participating in the Economic Development Commission programme, which provides tax breaks of up to 100 per cent of personal income tax. The new law requires the owners of the Economic Development Commission companies to spend

at least 183 days per year in the Territory and stipulates that income must be directly linked to the Territory. According to Governor Turnbull, the Virgin Islands could lose up to 600 jobs and up to $63 million in revenue in fiscal year 2005 because of these new federal tax laws.[16]

19. In his 2005 State of the Territory Address, the Governor stressed the Government's efforts to increase its tax revenues by nearly 20 per cent, from $464 million in 2003 to $564 million in 2004. The Governor ascribed this mainly to the Economic Development Commission tax incentive programme, which generated approximately $127 million, and to the new rum tax formula the United States Congress extended in September 2004, allowing the local rum industry to increase production by 20 per cent. Additionally, after securing the cancellation of the $46 million hurricane Hugo loan in December 2001, the Federal Emergency Management Agency also approved full cancellation of the outstanding balance of the $185 million hurricane Marilyn loan. As a result, the rating on the Government's recent bond issue has been upgraded.[17]

20. In November 2003, the Delegate to Congress, Donna Christian-Christensen, introduced controversial legislation that called for the creation of a Chief Financial Officer position. That person would be chosen by the Governor from a list of three previously nominated candidates, subject to confirmation by the Legislature, for a five-year period that would not be concurrent with the term of the Governor. According to a release from the Delegate, the Chief Financial Officer would assume the functions of the Office of Management and Budget and would oversee and approve all spending of the Government, and be authorized by law to disapprove items of spending which would send the Government into financial deficit. After a number of public hearings on the proposals, the United States House of Representatives finally approved the bill unanimously in September 2004, but it expired as per congressional rule due to inaction in the United States Senate. Ms. Christensen therefore brought the bill forward again in January 2005.[18]

21. Independently of whether the bill will finally be approved by the United States Congress, the question remains whether it will be signed into law by the current United States Administration. According to a statement by a top official of the Department of the Interior, the Administration believes that it is important that self-government be preserved and that all challenges, including fiscal problems, be fully considered within the territorial Government.[19] According to media reports, the opposition of the Department of the Interior to the bill represents a major political victory for Governor Turnbull, who has strongly rejected the initiative from the beginning, as did a number of members from the Islands Legislature. The Governor criticized the proposal, and characterized a Chief Financial Officer as someone who would be unelected and unaccountable, stating that it would represent a backward step on the journey to more self-government for the Virgin Islands.[20]

22. Until July 2004, the Territory operated on the budget for fiscal year 2003, after the Governor had vetoed the 2004 budget in its entirety in December 2003 because of his opposition to wage raises for government employees in the amount of $9.2 million. In 2004 he submitted a supplemental budget providing for $2.8 million in wage raises just for teachers. The Legislature later increased that amount to $9.2 million, extending the raise to all government workers. The Governor vetoed that provision, but was overridden by the Legislature in July 2004. Meanwhile, in May 2004 the Governor submitted a $565.5 million budget proposal for 2005, $25

million less than he had proposed for fiscal year 2004, which included three new taxes (a $3 hotel room tax, a $3 annual cellphone user tax and a $50 annual vehicle fee) to generate an additional annual revenue of $9 million. After long debates into the fiscal year 2005, the Legislature approved a $607 million budget in October 2004, which cancelled the proposed new taxes but included the financing of the $9.2 million raise for government workers, as well as a $500,000 increase for the employees of the Legislature. In November 2004 the Governor vetoed both raise proposals. Governor Turnbull argued that the revenue picture had changed completely because of the new federal tax laws and their impact on the Territory's Economic Development Commission programme. Although he declared that he supported the negotiated raises for government employees, he added that he could not "in good conscience approve this item at this time knowing full well that the money [was] not there".[21]

IV. Economy

A. General

23. In 2003, according to the Bureau of Economic Research, the gross domestic product (GDP) per capita in the Virgin Islands was estimated at $18,900, corresponding to a growth rate of 3.2 per cent since 2003. In mainland United States during the same year, GDP per capita was estimated at $37,800. Tourism is the primary economic activity, accounting for more than 60 per cent of GDP. It is followed by the manufacturing sector, which consists of petroleum refining, textiles, electronics, pharmaceuticals and watch and jewellery assembly.[22]

24. For the first half of fiscal year 2004, economic health, as measured by employment and output, was mixed. The construction sector, once one of the most important pillars of the Virgin Island's economy, together with manufacturing, information and other services sectors, continued to decline; the areas of wholesale and retail trade, leisure and hospitality, as well as education and health services, improved, while financial activities and professional and business services gained importance and turned out to be among the strongest sectors, contributing more than $100 million to the economy in 2004.[23]

25. According to the Governor, one of the key elements in the fiscal recovery plan was to strengthen the Economic Development Commission tax incentive programme. He noted that the Economic Development Commission beneficiaries generated about one third, or $127 million, of all income tax revenues and nearly 8.5 per cent, or 3,000, of jobs in the Islands. However, as mentioned earlier (see para. 18), new federal tax laws have introduced stricter requirements to the programme, which could have a strong impact on the revenue of the Territory, endangering the increase of nearly 20 per cent experienced in 2004. The firm of PricewaterhouseCoopers recently confirmed that in a study commissioned by the Government, assessing that tax losses would be between $83 million and $100 million and that 2,000 to 2,300 jobs would be lost by 2007.[24]

26. In September 2004, United States Secretary of the Interior, Gale Norton, hosted an island business opportunity conference in Los Angeles, the second of its kind, to promote United States overseas territories' potential for business investments. Nearly 1,000 business and Government leaders attended the two-day

event, where the Secretary stressed the advantages of doing business in the Territories, such as the protection provided by the United States currency system and the legal system, as well as the duty-free access to the mainland for locally made goods.[25] Among the topics covered at the conference were financing and procurement, industrial parks, water, wastewater, recycling infrastructure and tourism options, including the cruise sector and theme parks.

27. According to the governmental Bureau of Economic Research, the Territory is in a good position to experience a more balanced expansion in fiscal year 2005, given the continued expansion of the United States economy and planned and ongoing capital investment projects. Concerning the latter, the governmental Bureau of Economic Research report cites, among others, the following planned or ongoing capital investment projects: the Hovensa $400 million desulphurization unit and the $45 million Carambola Convention Centre on St. Croix; the $150 million Yacht Haven Hotel and Marina, which is expected to create 600 new jobs when completed; and the $16 million Enighed Pond development.[26]

28. Regarding trade, the United States Virgin Islands is exempt from the Jones Act, which requires that freight moving between United States ports be carried by United States-flagged ships. The Territory benefits from other favourable trade concessions as part of its relationship with the administering Power. Nonetheless, the Territory generally runs at a trade deficit, owing to its heavy reliance on imported goods, most of which come from the United States mainland. In 2003, the Territory finished with a slight trade deficit in the amount of $375,000.[27]

B. Economic sectors

1. Agriculture and fisheries

29. See 2003 working paper A/AC.109/2003/1, paragraphs 17-18.

2. Manufacturing and industry

30. Manufacturing incentives are provided by a trade regime that confers unique advantages on the United States Virgin Islands. Items assembled in the Territory can be exported duty free into the United States, even if up to 70 per cent of the value consists of foreign dutiable components. Other incentives include 90 per cent exemption from local corporate income taxes for 10 to 15 years for new manufacturers. Goods manufactured for export include watches, textiles, electronics, pharmaceuticals and rum, which accounts for 15 per cent of the Territory's export revenue.

31. Employment in manufacturing has dwindled in recent years, owing primarily to the closure of several watch assembly plants in the Territory in the late 1990s. In 2004, the United States Congress extended and expanded legislation, which provides federal wage credits to the Territory's watch industry and to manufacturers of fine jewellery until 2015. The manufacturing sector, primarily the watch industry, lost another 50 jobs in fiscal year 2003, after the largest employer and the second largest watch exporter closed operations in December 2002. Currently, there are three firms in the industry employing about 115 workers.[28]

32. The industrial sector is dominated by Hovensa LLC, one of the largest refineries in the world, situated in St. Croix, which produces 440,000 barrels of

refined petroleum products daily. Jointly owned by the Amerada Hess Corporation and Petróleos de Venezuela, Hovensa completed a $535 million coker unit in 2002 and plans to build a $400 million desulphurization unit in 2005 to meet federal Clean Air Act standards. The Government supported both construction projects with private activity bonds in the amount of $27.5 million and $101 million respectively.[29]

3. Construction

33. Having been the strongest performing sector in 2002, averaging 3,182 jobs, the construction sector suffered significant losses with the completion of the Hovensa coker unit, which created 2,000 construction jobs. Since then, the number of construction jobs has fallen by more than 45 per cent, to 1,737 jobs in fiscal year 2003, and stood at 1,660 in the first half of fiscal year 2004. However, construction is expected to be strong over the next year, supported by major hotel and casino construction, the upgrade and expansion of roads, housing and seaports and the development of commercial and residential properties, according to the Bureau of Economic Research (see also capital projects in para. 27). The construction of the Hovensa desulphurization unit is expected to create about 400 construction jobs. Lower mortgage rates have also boosted private construction and real estate development with an increase of 90 per cent in the first quarter of 2004.[30]

4. Tourism

34. The tourism sector, the most important industry of the Islands, has experienced a buoyant comeback since the end of 2003, according to the Bureau of Economic Research.[31] The 5,059 hotel rooms on the Islands enjoyed an average occupancy rate of 66.1 per cent in 2004, accommodating over 666,000 overnight guests, an increase of 10.3 per cent over 2003 figures, according to the Governor.[32] Visitor arrivals by air were estimated at 637,000, an increase of 2.8 per cent over the previous year. Over 1.9 million cruise visitors arrived in 2004, up 12.7 per cent over 2003 numbers. The overall total of visitor arrivals reached a record 2.6 million, representing an increase of 12.2 per cent over the 2003 total. Relying on those numbers, the Governor stated that that represented "the strongest period of growth for this critical benchmark in a decade".[33]

35. Since April 2004, Danish charter flights from Europe have been arriving in St. Croix. As more than 85 per cent of the seats were sold out in the first months, the President of the Danish travel agency was optimistic about surpassing the projected figure of 3,200 passengers during the first year.[34] The Governor noted in his State of the Territory address that there was an increasing demand to visit the Islands not only by travellers from Denmark, but also from Latin America and Northern Europe.[35] Beginning in March 2005, Delta Airlines will resume non-stop flights twice a week between Atlanta and St. Croix after a five-year break. After a one-year break, American Eagle returned to offer three daily flights between St. Thomas and St. Croix. While that decision was widely welcomed as an opportunity to foster tourism on St. Croix, the Government was criticized for having committed to guarantee the airline a certain level of revenue.[36]

36. Reporting on tourism during his State of the Territory address on 31 January 2005, the Governor noted that much of tourism investment continued to be geared to

revitalizing the economy of St. Croix, which had gone into recession after hurricane Hugo in 1989.

37. After the completion of works to expand and renew St. Croix's international airport, the Administration now faces the dredging of Frederiksted Harbour to facilitate the arrival of larger cruise vessels.[37] According to media reports, St. Croix has recently been criticized as a cruise ship destination, due to the island's heavy police presence and the long distance cruise ship passengers have to travel between the docks and the commercial areas.[38] In his 2004 State of the Territory address, the Governor announced that the Administration would spend $2 million in federal highway funds to extend the Christiansted boardwalk from the Holger Danske Hotel to the seaplane terminal. He also announced that $11 million had been committed to redevelop and revitalize the Frederiksted waterfront, and $15 million had been set aside to rehabilitate and restore historic buildings on all three islands, which all serve as major tourism attractions.

C. Finance

38. Owing to lower interest rates, the financial service sector has become one of the strongest performers in the Territory, contributing over $100 million to the economy during 2004, according to the Bureau of Economic Research. In the first half of fiscal year 2004, the sector grew by 8.2 per cent. After an increase of 16 per cent in 2003, the number of finance-related jobs continued to grow slightly in 2004, averaging 2,395 jobs. Early in 2005, the Government will analyse the feasibility of establishing an electronic stock exchange on St. Croix. However, the outlook remains elusive, as that sector is expected to be the one most affected by the federal tax changes mentioned earlier (see para. 18).[39]

D. Transportation and communications

39. The Territory has five major docking facilities, which can accommodate cruise ships and some naval vessels. Three of the docks are on St. Croix, namely South Shore, Gallows Bay and Frederiksted. The remaining two are on St. Thomas, namely, the facilities operated in Crown Bay by the Virgin Islands Port Authority, a semi-autonomous government agency, and those privately owned by the West Indian Company. According to the Governor, the Government completed public sector capital projects related to the Island's transportation facilities valued at more than $70 million. The tourism infrastructure especially benefited from the construction of the $9.3 million Red Hook ferry terminal on St. Thomas in 2004. For 2005, the Governor announced public projects valued at more than $200 million, citing the $30 million Crown Bay port and retail complex on St. Thomas.[40]

40. The Port Authority operates two international airports, Cyril E. King Airport on St. Thomas and Henry E. Rohlsen Airport on St. Croix. St. Croix's airport expansion project, which was completed in 2002, includes a new terminal and a control tower, finished in 2004, and a lengthened 10,000-foot runway, allowing jumbo aircraft to be flown directly to St. Croix from the United States, Canada, Europe and South America.

41. In April 2004, the United States House of Representatives passed the Transportation Equity Act, a new highway transportation bill, which will provide the Virgin Islands with $134 million in federal funding over the next six years to

improve roads and highways.[41] Concerning public transportation in the Territory, the United States appropriated $2.4 million to enhance the system to upgrade the Islands' VITRAN bus service.[42]

E. Utilities, water and sanitation

42. Electricity is thermally generated using imported fuels. The Water and Power Authority serves approximately 47,000 customers. Major generating facilities are located on St. Thomas and St. Croix, and a standby facility is located on St. John. During 2004, the sentiment among the Islanders was that electricity was too expensive. In his 2005 State of the Territory address, the Governor also stated that prices were too high and announced that he would soon enter into discussions with Water and Power Authority officials in an effort to possibly reduce prices.[43]

43. Owing to limited freshwater supplies, salt water is used extensively for non-domestic purposes, including firefighting and sewerage. The Water and Power Authority desalinates water and collects rainwater for domestic use. A desalination plant on St. Thomas produces 4.45 million gallons per day. Wells, particularly on St. Croix, supply the remainder of the freshwater necessary. Owing to the high cost of water, average daily consumption is about 50 gallons per person per day, about one third the United States average. In 2004, the Authority faced problems in realizing a court ordered upgrade of the sewer system, especially on St. Croix, and received an extension until 28 February 2005 to install additional pumps.[44] The Territory has received $10 million in special appropriations from the United States Congress for that purpose. To improve the Territory's insufficient waste disposal system, the Waste Management Authority was established in 2004 with grants from the Department of the Interior and rum tax revenues.

V. Military issues

44. Following the terrorist attacks in the United States in 2001, homeland security has become a major concern in the United States Virgin Islands, as well as on the mainland. Therefore, the Government has asked for the return of the Coast Guard and advocates for a permanent presence of the United States Customs and Border Patrol on the Islands.[45]

VI. Social conditions

A. Labour

45. Employers in the United States Virgin Islands must follow federal and territorial labour laws, such as those regulating minimum wages, occupational health and safety standards and payment of Social Security tax and unemployment insurance. In recent years, the Government has focused on reducing employment in all three branches of Government, while promoting private enterprise and investments to create new jobs. The unemployment rate fell in fiscal year 2004 from 9.5 to 8.8 per cent. The number of civilian jobs declined from 44,062 to 43,415. Despite the recovery of the economy and an economic growth rate of 3.2 per cent, job growth is non-existent, according to the Bureau of Economic Research.[46]

St. Croix was particularly affected, averaging 11.1 per cent unemployment in March 2004, whereas the unemployment rate in St. Thomas and St. John stood at 7.2 per cent. Total public sector employment, which accounts for 30 per cent of all jobs in the Territory, was virtually at the same level as in fiscal year 2002. There are currently 12,545 public sector jobs, compared to an average of 12,518 in fiscal year 2002. The number of local government jobs averaged 11,626 in fiscal year 2003, compared to 11,621 jobs in fiscal year 2002.

B. Education

46. Education is compulsory and free for all children between 5 and a half and 16 years of age. The territorial Department of Education administers 32 schools on St. Thomas, 14 on St. Croix and 2 on St. John. The 2000 census data, issued in February 2002, reflected school enrolment of children three years and older to total 32,119. Of those, 52.5 per cent attended elementary school, 23.2 per cent attended high school and 9 per cent attended college or graduate school. The census also reported that 60.6 per cent of the population aged 25 and over are high school graduates, while 16 per cent have bachelor's degrees or graduate degrees.

47. The University of the Virgin Islands has campuses on St. Thomas and St. Croix and approximately 2,500 full- and part-time students. It offers bachelor's degree programmes in 33 fields and master's degree courses in education, business administration and public administration. Since 2003, the University of the Virgin Islands has also had a research and technology park on St. Croix. In January 2005, the University became one of the five founding members of the United Nations consortium of small island States. The International Committee, whose governing board is chaired by University of the Virgin Islands President LaVerne Ragster, will advocate the sharing of resources, information and research by small island States.[47]

48. One of the issues of concern in recent years has been the Territory's high school dropout rate (for details, see A/AC.109/2003/1, para. 37).

49. In recent years, and again in January 2004, the Governor has spoken of education as being the number one priority of his Administration. That matter became even more pressing in 2002 after all four of the Territory's public high schools lost their accreditation with the Middle States Association of Colleges and Schools. The Charlotte Amalie High School and the Ivanna Eudora Kean High School received an evaluation team of the Association in 2004, and the Government is optimistic that those schools will be reaccredited in April 2005.[48] Two other schools are scheduled to host the evaluation team in March 2005. The Government is also working to improve teacher training and to provide enhanced professional development opportunities for teachers to increase the number of gifted and talented courses and advanced placement courses for students.

50. Regarding academic standards in the Territory's public schools, the testing scores for fourth-graders and eighth-graders in reading comprehension are lower than the national average, according to nationwide tests conducted by the National Center for Education Statistics. Out of a possible 500 points, Virgin Islands fourth-grade students averaged 179. The national average was 219. The data also shows that only 6 per cent of fourth-grade students and 7 per cent of eighth-grade students in the Virgin Islands are proficient in reading comprehension. By comparison, the national proficiency average is 30 per cent for the fourth grade and 31 per cent for

the eighth grade. Virgin Island scores were either at or near the bottom of the national scale, with eighth-grade students scoring only better than eighth-graders from American Samoa.[49]

C. Public health

51. The Roy L. Schneider Hospital on St. Thomas offers general service and has 169 beds. The Governor Juan F. Luis Hospital on St. Croix has 120 beds. In 2004, the Eldra L. Schulterbrandt Medical Facility opened on St. Thomas and renovations at the Charles Harwood Memorial Complex have been completed, transforming it into a state-of-the-art, one-stop health facility, which serves an average of 200 patients daily.[50] The Governor Juan F. Luis Hospital on St. Croix received high marks and accreditation in 2004 from the Joint Commission on Accreditation of Healthcare Organizations, an independent organization that evaluates health-care centres throughout the United States. Accreditation by the Joint Commission allows hospitals to remain eligible for Medicare funds and attracts grant-giving agencies, donors and highly qualified professionals.

52. Construction for a long-awaited cancer institute within the Schneider Hospital is expected to be completed by June 2005, alleviating the need for patients to be treated off the Islands. Funding for the $10 million state-of-the-art facility was provided by, inter alia, private donation, $5 million from a bond issue, $5.8 million from the Territory's tobacco settlement proceeds and $2 million from Partners for Health fund-raising, and $1.7 million was appropriated by the Virgin Islands Legislature to assist with personnel recruitment. In January 2004, the first hospital-based practical nurse education programme began at the Schneider Hospital, and in February 2004, the long-awaited reopening of a long-term mental health facility for St. Thomas took place.

53. In his 2005 State of the Territory address, the Governor underlined the importance of the completion of two other capital projects on St. Croix: the $1.5 million renovation of the Richmond Senior Citizens Centre, which houses 45 elderly patients, and the Youth Rehabilitations Centre, with two new dormitories and a multi-purpose centre.[51] The latter aims to avoid mixing juveniles who have committed less serious crimes with those who have been involved in major criminal activities.

54. HIV/AIDS continues to be a serious public health problem in the Territory. Federal statistics quoted by the media report the Virgin Islands as having the fourth highest per capita incidence of HIV/AIDS among the states and Territories. According to the media, by December 2003, 259 Virgin Islanders were reported to be living with AIDS, while 224 were HIV-positive. Since 1983, more than 800 cases of HIV-AIDS have been reported.[52] However, it is considered that many of those who are infected with the virus are unaware of it. Local public health officials are working to meet the national challenge of cutting the number of new cases of HIV infection in half by 2005, while raising awareness among those who go untested and untreated. Currently, the Territory obtains funds through federal programmes for HIV/AIDS testing, medicating, prevention, education, counselling and surveillance.

55. A health administration issue that has remained on the table for many years is the legislative cap on federal reimbursements for the health care provided to the uninsured poor in the Territory and efforts by the Territory's Government and its

Delegate to Congress to have the cap removed. In October 2002, representatives of the Territory's two hospitals, the Delegate to Congress and the heads of the federal Center for Medicare and Medicaid began holding meetings in Washington to find ways to alleviate the Territory's financial shortfalls after paying the high cost of treating its elevated number of uninsured patients. Grant applications to offset the federal cap were initiated in November 2002.[53]

D. Human rights and related issues

56. See 2003 working paper (A/AC.109/2003/1), paragraph 43.

E. Crime and crime prevention

57. High crime rates are a matter of concern in the United States Virgin Islands. According to media reports, in 2003 the Islands recorded 36 homicides, six more than in 2003, but fewer than a record 43 in 2002, giving the Territory a per capita homicide rate which is five times the national average. The number of armed robberies and shootings also increased, while rape was the only violent crime that decreased in the Territory, with 69 cases reported.[54] According to the Federal Bureau of Investigation's Uniform Crime Reports, violent crime declined by 2 per cent nationwide during the first half of 2004.[55] The local media also report frequent incidences of domestic violence and child abuse. The Government has acknowledged that high crime rates undermine efforts to increase tourism and improve the economy. In his 2005 State of the Territory address, the Governor called safety and security the Government's most important responsibility. He also stressed the value of a neighbourhood watch group programme, stating that the Police Department "could not have been successful in reducing crime in the last year" without the help of many residents.[56] To fight violent crime, the Police Department will publish a five-year strategic plan in February 2005.

58. According to Government and police authorities, the transit of illegal drugs through the Territory is a root cause of much of the violent crime. In 1994, the Office of National Drug Control Policy designated the United States Virgin Islands, along with Puerto Rico, a High Intensity Drug Trafficking Area. In 2004, Virgin Islands officials acknowledged publicly, for the first time, the existence of a crime organization called "The Commission", which is believed to be responsible for various shootings and homicides.[57]

59. In 2004, several current and former Government officials faced indictments or sentences because of alleged corruption. Former senator and candidate for Governor in 2002, Alicia Hansen, and four other defendants were indicted for defrauding money from the Government through a multimillion-dollar sewer repair contract.[58] *The Virgin Islands Daily News* recently published a list of federal audits from recent years, listing various federal fund spending irregularities.[59] The newly elected President of the Legislature, Senator Lorraine Berry, sponsored the Omnibus Justice Bill, which was approved unanimously in September 2004 by the Legislature. It included, inter alia, criminalizing identity fraud and misuse of Government credit cards. However, the bill was vetoed by the Governor, arguing that some areas were in need of additional fine-tuning.[60]

VII. Environment

A. Protection of natural resources

60. According to the Environmental Protection Agency's Region 2 State of the Environment Report (1998), the ecosystems of the Caribbean islands face threats not only from natural disasters, such as hurricanes, but also from human impacts, such as improperly treated sewage, extensive land conversion and deforestation, over-fishing and tourism-related activities. Conversely, protecting the ecosystems is important if economy-generating tourism is to be maintained. Disposal of solid waste and sewage pose serious environmental problems in the United States Virgin Islands. In addition, reefs such as those near Salt River Bay in St. Croix depend on mangroves and sea grass colonies along the coast for protection against runoff.[61]

61. In January 2001, days before he left office, former President Clinton signed a proclamation creating the new Virgin Islands Coral Reef National Monument in submerged lands off St. John. The designation furthered the protection of the Virgin Islands National Park created in 1956 and expanded in 1962.[62] The Monument covers 12,000 acres off St. John and also increases Buck Island Reef National Monument off St. Croix from 900 acres to some 18,000 acres.

62. In September 2003, the Senate voted to rezone 120 acres of environmentally sensitive land at Great Pond on St. Croix for what was described as a 400-room hotel and an 18-hole golf course resort and conference centre. Although environmentalists pointed out that it could damage Great Pond, one of the few remaining wetlands on the Islands, senators, although sympathetic to the concerns, said that they could not ignore the dismal state of the Islands' economy and reject a project that stood to offer 800 jobs in its construction phase and 1,200 permanent ones after its completion in November 2005.[63]

B. Disaster preparedness

63. The United States Virgin Islands faces recurrent hurricanes and flooding, in addition to being located within an earthquake-risk zone. Four hurricanes brushed the Islands in 2004. Hurricane Jeanne, the most destructive, produced $2.5 million worth of damage to roads, power lines and sewers.[64] The Federal Emergency Management Agency, in general, provides programmes of mitigation, preparedness, response and recovery in the Territory through the Virgin Islands Territorial Emergency Management Agency. The territorial Government in 2004 resolved the problem of the federal loans covering 1989 hurricane Hugo and managed also the full cancellation of the loans taken out following 1995 hurricane Marilyn (see para. 15). In June 2000, the United States Senate Government Operations Committee approved a bill providing for the United States Virgin Islands to join the nation's Emergency Management Assistance Compact. That gives each member access to assistance from other member States or Territories in the event of disasters, in addition to the assistance provided by the Federal Emergency Management Agency.

VIII. Future status of the Territory

64. In October 2004, the Governor signed into law the Fifth Constitutional Convention, which is scheduled to draft a constitution by 27 July 2006. Upon its approval by the United States Congress, a referendum to ratify the document could be held during the next election, in November 2006 (see para. 5 for more details).

A. Position of the territorial Government

65. At the 4th meeting of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples, on 8 June 2004, Carlyle Corbin, on behalf of the Government of the United States Virgin Islands, made a statement (see A/AC.109/2004/SR.4).

B. Position of the administering Power

66. In a statement made at the 72nd plenary meeting of the General Assembly, on 9 December 2003 (see A/58/PV.72), the representative of the United States said that the United States could not support the draft resolution (A/58/L.21) on the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples. By adopting a narrow definition of decolonization, the draft resolution failed to take into account the complex reality of Non-Self-Governing Territories. For the United States, the very term "non-self-governing" seemed inappropriate for those who were able to establish their own constitution, elect their own public officers, have representation in Washington and choose their own economic path.

67. The United States was fully supportive when countries chose independence and was proud to welcome them as equal and sovereign partners. For Territories that did not choose independence, however, the United States also supported the right of people in those Territories to a full measure of self-government, including the rights to integration and free association. The world encompassed a variety of peoples, places and political circumstances, and that richness did not allow for just one path. The United States believed that a single standard of decolonization should not be applied to every Territory, and it called upon all Member States to respect the choices made by residents of Non-Self-Governing Territories. In conclusion, he said that the United States looked forward to a significant dialogue with the Committee of 24 in 2004, and that it was their hope that all parties would cooperate so that a reduction in the number of Non-Self-Governing Territories could be achieved.

C. Action by the General Assembly

68. On 10 December 2004, the General Assembly adopted without a vote resolutions 59/134 A and B. Section XI of resolution 59/134 B is devoted specifically to the United States Virgin Islands.

Notes

[1] The information contained in the present working paper was derived from published sources.

[2] United States Department of the Interior, Office of Insular Affairs, *Strategic Plan 2000-2005*.

[3] Office of Insular Affairs (see http://www.pacificweb.org); United States Central Intelligence Agency, *The World Factbook, 2004*.

[4] State of the Territory address delivered by Governor Charles W. Turnbull on 13 January 2003 and reproduced in full by *St. Thomas Source* on 14 January 2003.

[5] *The Virgin Islands Daily News*, 20 October 2004.

[6] Consensus majority's policy agenda for the 26th Legislature, 12 January 2005, and reproduced in full by *St. Thomas Source* on 13 January 2004.

[7] State of the Territory address, delivered by Governor Charles W. Turnbull on 31 January 2005 and reproduced in full by *St. Thomas Source* on 1 February 2005 (see www.onepaper.com/stthomasvi). Unless other sources are mentioned, all statements by the Governor quoted in the present working paper refer to that address.

[8] State of the Territory address 2005.

[9] *The Virgin Islands Daily News*, 1 October 2004, 18 January 2005.

[10] *Puerto Rico Herald*, 9 August 2004.

[11] *The Virgin Islands Daily News*, 24 November 2004.

[12] State of the Territory address 2005.

[13] Secretary of the Interior, Gale Norton (see http://www.businessopportunitiesconference.com), 24 September 2004.

[14] *The Virgin Islands Daily News*, 24 March 2004.

[15] United States Virgin Islands Bureau of Economic Research, Economic Review, May 2004.

[16] *The Virgin Islands Daily News*, Year in Review, 7 January 2005.

[17] State of the Territory address 2005.

[18] *The Virgin Islands Daily News*, 7 January 2005.

[19] Ibid., 17 June 2004.

[20] State of the Territory address 2005.

[21] *The Virgin Islands Daily News*, 17 November 2004.

[22] United States Central Intelligence Agency, *The World Factbook, 2002*; Economic Review, May 2004.

[23] Economic Review, May 2004.

[24] *PricewaterhouseCoopers*, "Economic impact of H.R. 4520 on United States Virgin Islands", 12 January 2005 (see www.pwc.com).

[25] Secretary Gale Norton (see http://www.businessopportunitiesconference.com), 24 September 2004.

[26] Economic Review, May 2004; *The Virgin Islands Daily News*, 7 January 2005.

[27] www.businessopportunitiesconference.com, 23 September 2004.

[28] Economic Review, May 2004.

[29] Ibid., State of the Territory address 2005.

[30] Economic Review, May 2004.

[31] Ibid., May 2004.

[32] State of the Territory address 2005.

[33] Economic Review, May 2004; State of the Territory address 2005.

[34] *The Virgin Islands Daily News*, 15 October 2004.

[35] State of the Territory address 2005.

[36] *The Virgin Islands Daily News*, 9 February 2005.

[37] Economic Review, May 2004; State of the Territory address 2005.

[38] *The Virgin Islands Daily News*, 15 January 2005.

[39] Economic Review, May 2004; State of the Territory address 2005.

[40] State of the Territory address 2005.

[41] United States House of Representatives, H.R. 3550, 2 April 2004.

[42] *St. Thomas Source*, 27 September 2004.

[43] State of the Territory address 2005.

[44] *The Virgin Islands Daily News*, 15 January 2005.

[45] State of the Territory address 2005.

[46] Economic Review, May 2004.

[47] *The Virgin Islands Daily News*, 25 January 2005.

[48] State of the Territory address 2005.

[49] *The Virgin Islands Daily News*, 23 June 2003.

[50] State of the Territory address 2005.

[51] Ibid.

[52] *The Virgin Islands Daily News*, 2 December 2004.

[53] *St. Thomas Source*, 15 October 2002; *The Virgin Islands Daily News*, 18 November 2002.

[54] *The Virgin Islands Daily News*, 7 January 2005.

[55] *Federal Bureau of Investigation*, 2004 Uniform Crime Reports.

[56] State of the Territory address 2005.

[57] *The Virgin Islands Daily News*, 7 January 2005.

[58] Ibid.

[59] Ibid., 21 January 2005.

[60] Ibid., 7 January 2005.

[61] *St. Thomas Source*, 23 April 2002.

[62] White House Press Office, 17 January 2001.

[63] *St. Thomas Source*, 4 September 2003; *The Virgin Islands Daily News*, 22 October 2003.

[64] *The Virgin Islands Daily News*, 7 January 2005.